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**SCOTT POINT WATERWORKS DISTRICT**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

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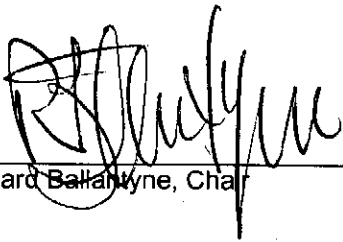
## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of the Scott Point Waterworks District (the "District") are the responsibility of management and have been prepared in compliance with legislation, and in accordance with public sector accounting standards for local governments, recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The District's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

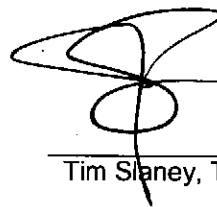
The Board of Trustees meet with management and the external auditors to review the financial statements and discuss any significant reporting or internal control matters prior to their acceptance of the financial statements.

The financial statements have been audited by McLean, Lizotte, Wheadon and Company, independent external auditors appointed by the District. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination, and their opinion on the District's financial statements.



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Richard Ballantyne, Chair



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Tim Slaney, Treasurer



## INDEPENDENT AUDITOR'S REPORT

To the Trustees of Scott Point Waterworks District,

We have audited the accompanying financial statements of Scott Point Waterworks District, which comprise the statement of financial position as at December 31, 2017, and the statement of operations, and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Scott Point Waterworks District as at December 31, 2017, and its results of operations, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*McLean, Lizotte, Wheadon and Company*

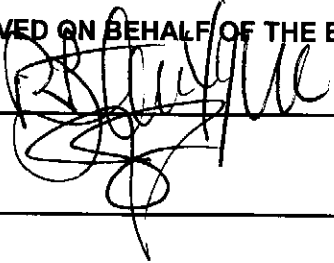
April 18, 2018  
Salt Spring Island, British Columbia

McLEAN, LIZOTTE, WHEADON AND COMPANY  
Chartered Professional Accountants

**SCOTT POINT WATERWORKS DISTRICT  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2017**

	<i><b>Total</b></i> <b>2017</b>	<i><b>Total</b></i> <b>2016</b>
	<hr/>	<hr/>
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	\$ 47,033	\$ 152,874
Accounts receivable	14,178	10,171
Investments	37,496	36,719
	<hr/>	<hr/>
	98,707	199,764
 <b>LIABILITIES</b>		
Accounts payable and accrued liabilities	8,257	19,875
Deferred revenue and deposits	1,958	767
	<hr/>	<hr/>
	10,215	20,642
 <b>NET FINANCIAL ASSETS</b>	 88,492	 179,122
 <b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets - Note 3	587,678	489,687
Inventory held for consumption	164	3,179
Prepaid expenses	2,840	2,616
	<hr/>	<hr/>
	590,682	495,482
 <b>ACCUMULATED SURPLUS - Note 5</b>	 <b>\$ 679,174</b>	 <b>\$ 674,604</b>
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APPROVED ON BEHALF OF THE BOARD:


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The accompanying notes are an integral part of these statements

**SCOTT POINT WATERWORKS DISTRICT  
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS  
FOR THE YEAR-ENDED DECEMBER 31, 2017**

	<u>2017 Budget</u>	<u>2017 Actual</u>	<u>2016 Actual</u>
<b>REVENUE</b>			
Water tolls	\$ 47,982	\$ 48,990	\$ 46,987
Parcel tax	24,400	24,400	24,400
Interest income	1,704	793	2,164
Other income	425	190	644
	<u>74,511</u>	<u>74,373</u>	<u>74,195</u>
<b>EXPENSES</b>			
Amortization	15,867	16,313	16,314
Bank charges	275	329	248
Dues and permits	150	150	318
Insurance	5,432	5,642	5,352
Laboratory costs	1,769	1,649	1,519
Office and miscellaneous	1,050	3,618	863
Professional fees	5,624	5,450	5,450
Repairs and maintenance	39,111	33,422	36,540
Utilities	4,204	3,230	3,585
	<u>73,482</u>	<u>69,803</u>	<u>70,189</u>
<b>ANNUAL SURPLUS</b>	1,029	4,570	4,006
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>674,604</u>	<u>674,604</u>	<u>670,598</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 675,633</u>	<u>\$ 679,174</u>	<u>\$ 674,604</u>

The accompanying notes are an integral part of these statements

**SCOTT POINT WATERWORKS DISTRICT  
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS  
FOR THE YEAR-ENDED DECEMBER 31, 2017**

	<b>2017 Budget</b>	<b>2017 Actual</b>	<b>2016 Actual</b>
<b>ANNUAL SURPLUS</b>	\$ 1,029	\$ 4,570	\$ 4,006
<b>CHANGES IN TANGIBLE CAPITAL ASSETS</b>			
Acquisition of tangible capital assets	(50,000)	(114,304)	(22,352)
Amortization of tangible capital assets	15,867	16,313	16,314
	(33,104)	(93,421)	(2,032)
<b>CHANGES IN OTHER NON-FINANCIAL ASSETS</b>			
Acquisition of inventory held for consumption		(164)	(3,179)
Use of inventory held for consumption		3,179	2,013
Acquisition of prepaid expenses		(2,840)	(2,616)
Use of prepaid expenses		2,616	2,517
	-	2,791	(1,265)
<b>CHANGES IN NET FINANCIAL ASSETS</b>	(33,104)	(90,630)	(3,297)
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	179,122	179,122	182,419
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	\$ 146,018	\$ 88,492	\$ 179,122

The accompanying notes are an integral part of these statements

**SCOTT POINT WATERWORKS DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR-ENDED DECEMBER 31, 2017**

	<b>2017 Actual</b>	<b>2016 Actual</b>
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING TRANSACTIONS:</b>		
Annual surplus	\$ 4,570	\$ 4,006
Items not involving cash:		
Amortization	16,313	16,314
Changes in non-cash assets and liabilities:		
Accounts receivable	(4,007)	(513)
Accounts payable and accrued liabilities	(11,618)	12,741
Deferred revenue and deposits	1,191	(965)
Inventory held for consumption	3,015	(1,166)
Prepaid expenses	(224)	(99)
	9,240	30,318
<b>INVESTING TRANSACTIONS:</b>		
Sale (purchase) of investments	(777)	70,430
<b>CAPITAL TRANSACTIONS:</b>		
Acquisition of tangible capital assets	(114,304)	(22,352)
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>	(105,841)	78,396
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	152,874	74,478
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 47,033	\$ 152,874

The accompanying notes are an integral part of these statements

**SCOTT POINT WATERWORKS DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR-ENDED DECEMBER 31, 2017**

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**NOTE 1 - PURPOSE OF THE DISTRICT**

The Scott Point Waterworks District is an improvement district incorporated under the *Local Government Act of British Columbia*. The purpose of the District is the acquisition, maintenance and operation of works for waterworks purposes and all matters incidental thereto.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the District are as follows:

**Reporting entity**

The financial statements reflect the assets, liabilities, accumulated surplus, revenues and expenses of the District. These are comprised of the Operating, Tangible Capital Assets, and Renewal Reserve Funds that are accountable for the administration of their financial affairs and resources to the Board and are controlled by the District. Inter-fund transactions have been eliminated.

**Basis of accounting**

The District follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

**Cash and cash equivalents**

Cash and cash equivalents are comprised of cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

**Investments**

Investments are comprised of term deposits and are recorded at cost.

**Deferred revenue and deposits**

Deferred revenue consists of collected user charges and fees for which the related services have yet to be performed. Revenue is recognized in the period when the related services are performed.

**Non-financial assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

I. Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value of the capital asset is amortized on a straight-line basis over their estimated useful lives as follows:

Building	50 years
Equipment	5 years
Treatment plant	25 years
Water towers and tanks	35 years
Waterworks distribution and collection systems	50 years
Wells	60 years
Well pumps	20 years



**SCOTT POINT WATERWORKS DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR-ENDED DECEMBER 31, 2017**

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**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

I. Tangible capital assets (Continued)

Annual amortization is charged commencing when the asset is acquired or available for use. Assets under construction are not amortized until the asset is available for productive use. The District does not capitalize interest associated with the acquisition of a capital asset.

II. Inventory and prepaid expenses

Inventories and prepaid expenses are recorded at the lower of cost and replacement cost.

**Use of estimates**

Preparation of the financial statements in conformity with Canadian public sector accounting standards requires the Board to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include assumptions used in estimating historical cost and useful lives of tangible capital assets and estimating provisions for accrued liabilities. Actual results could differ from these estimates and adjustments, if any, will be reflected in the period of settlement or upon a change in the estimate.

**Revenue recognition**

Revenues are recognized as follows:

Water tolls are recorded upon provision of service when collection is reasonably assured. Water tolls received in advance of the toll being earned are deferred and recognized when the toll is earned and billed.

Parcel taxes are recorded annually, when authorized by by-law, for the taxable period for which the tax is levied.

**Financial instruments**

The District's financial instruments consist of cash, accounts receivable, investments, accounts payable, and deferred revenue. The carrying amount of these financial instruments approximates their fair value because they are short-term in nature or because they bear interest at market rates.

Unless otherwise noted, it is management's opinion that the District is not exposed to significant interest, liquidity or credit risk arising from these financial instruments.

**SCOTT POINT WATERWORKS DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR-ENDED DECEMBER 31, 2017**

**NOTE 3 - TANGIBLE CAPITAL ASSETS**

<b>Cost</b>	<b>Balance at December 31, 2016</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance at December 31, 2017</b>
Building	\$ 15,332		\$ -	\$ 15,332
Treatment plant	46,280			46,280
Valves	6,217			6,217
Water towers and tanks	354,421			354,421
Waterworks systems	171,187			171,187
Well pumps	9,071			9,071
Assets under construction	-	114,304		114,304
	<u>\$ 602,508</u>	<u>\$ 114,304</u>	<u>\$ -</u>	<u>\$ 716,812</u>

<b>Accumulated Amortization</b>	<b>Balance at December 31, 2016</b>	<b>Amortization</b>	<b>Accumulated Amortization on disposals</b>	<b>Balance at December 31, 2017</b>
Building	\$ 2,763	\$ 307	\$ -	\$ 3,070
Treatment plant	16,660	1,851		18,511
Valves	1,395	155		1,550
Water towers and tanks	64,884	10,123		75,007
Waterworks systems	23,041	3,424		26,465
Well pumps	4,078	453		4,531
Assets under construction	-			-
	<u>\$ 112,821</u>	<u>\$ 16,313</u>	<u>\$ -</u>	<u>\$ 129,134</u>

<b>Net Book Value</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Building	\$ 12,262	\$ 12,569
Treatment plant	27,769	29,620
Valves	4,667	4,822
Water towers and tanks	279,414	289,537
Waterworks systems	144,722	148,146
Well pumps	4,540	4,993
Assets under construction	114,304	-
	<u>\$ 587,678</u>	<u>\$ 489,687</u>

**SCOTT POINT WATERWORKS DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR-ENDED DECEMBER 31, 2017**

**NOTE 4 - RENEWAL RESERVE FUND**

	<b>2017</b>	<b>2016</b>
Balance, beginning of year	\$ 108,844	\$ 107,149
Add:     Transfer from operations		
Interest earned	776	1,695
Less:     Transfer for capital expenditures	(109,620)	-
Balance, end of year	\$ -	\$ 108,844

**NOTE 5 - ACCUMULATED SURPLUS**

	<b>2017</b>	<b>2016</b>
(Deficit) / Surplus from operations	\$ 91,496	\$ 76,073
Invested in tangible capital assets	587,678	489,687
	679,174	565,760
 <b>RESERVES SET ASIDE FOR SPECIFIC PURPOSE BY THE BOARD:</b>		
Renewal of infrastructure	-	108,844
	\$ 679,174	\$ 674,604

**NOTE 6 - AUDIT AND NON-AUDIT SERVICES PROVIDED**

The firm of McLean, Lizotte, Wheadon and Company provided auditing and non-auditing services to Scott Point Waterworks District during the fiscal year-ended December 31, 2017. The total fees charged for the year are as follows:

	<b>2017</b>	<b>2016</b>
Auditing Services	\$ 4,500	\$ 4,000
Data entry Services	1,200	1,200
	<b>\$ 5,700</b>	<b>\$ 5,200</b>

**NOTE 7 - COMMITMENTS**

The District entered into a contract with the North Salt Spring Waterworks District for repairs and operations and maintenance services. The contract is for twelve months, but can be cancelled with 3 month notice.

**NOTE 8 - BUDGET**

The financial plan is prepared on a revenue and expenditure basis. The unaudited budget figures presented in these financial statements have been approved by the trustees for the year and are presented for information purposes only.